

Media, PA – A comprehensive solution to the current economic crisis demands immediate efforts to resolve the core of the problem -- the ongoing cycle of increasing foreclosures. Defaults on first mortgages surged from around 800,000 in 2005 to 2.65 million in 2008, and mortgage delinquencies are rising sharply in every category- from 30 days through 120 days- signaling that defaults will rise substantially in 2009.

Today, January 26, 2009, Congressman Joe Sestak (PA-07) hosted Tracey Davidson from NBC10 to discuss the ongoing housing crisis. Several constituents who the Congressman has assisted with retaining their homes participated in the program and discussed their interactions with the Congressman's caseworkers.

Like the rest of the nation, Pennsylvania has been impacted by the housing crisis. During the 3rd Quarter of 2008, there were 21,787 housing starts, which is a 41.9% decrease from the same period in 2007. Further, the District visibly reflects a microcosm of Pennsylvania. Congressman Joe Sestak relates, "Over the last two years, the District Office handled more than 250 mortgage cases. But while we had 47 mortgage cases in 2007, that number exceeded 200 in 2008. Based upon our intake numbers this year, we may see over 330 mortgage cases this year alone.

When one looks at the total number of all types of constituent cases handled by the District Office since January 2007 that number approaches 10,000. These cases include not just mortgage foreclosures, but also Social Security issues, Medicare and Medicaid issues, Veteran's Affairs, economic stimulus, tax issues with the Internal Revenue Service, environmental concerns, insurance complaints, identification theft, postal complaints, immigration, passport requests, and assistance in finding employment, among others.

Early in the housing crisis's evolution, Congressman Joe Sestak hosted a roundtable in his District Office on April 12, 2008, to discuss the current mortgage crisis, its effects on his constituents and the national economy, and the way in which it should be addressed. Local credit union representatives, housing officials, representatives of local realtors, and constituents facing foreclosure joined the Congressman for the event. When Congressman Sestak, through trends in his constituent office, witnessed a spike in the number of individuals facing mortgage foreclosures, lending issues, and other related problems, he took action both locally and in Congress to try to forestall an increase in their numbers.

For example, when Congressman Sestak spoke at the Consumer Credit Counseling Service's luncheon, he noted how the Consumer Credit Counseling Service of the Delaware Valley helped through one-on-one credit counseling and financial education in such cases -- one of several action agencies individuals could be guided to for assistance by his staff. The credit counseling and financial education programs provided by CCCS have assisted numerous families and individuals implement the steps necessary to reduce their debt and gain control of their finances, including mortgage payments.

However, while taking action locally to help address individual cases, Congressman Sestak noted that more was needed including, "A comprehensive solution to the current economic crisis demanded greater national efforts immediate efforts to resolve the core of this predicament, which is the ongoing housing crises. If the government does not take further steps to mitigate the current housing crisis efforts, an estimated 8.5 million additional homeowners will default during the next three years and nearly five million households will ultimately lose homes in foreclosure sales, short sales, or deeds in lieu. This will further devastate the economic security of my constituents and small businesses. That is why I am working diligently in the House to help address the current economic crisis, by focusing on the core issue of the broader economic downturn -- the housing crisis. To stabilize the broader economy, we must address this housing crisis directly. The unavailability of credit has led to an all-time high inventory of existing homes, which is increasing as foreclosures flood the market, driving down home values and causing job losses across all sectors of the economy."

Initially, in April 2008, Congressman Sestak worked with the Chairman of the House Financial Services Committee, Barney Frank, to include provisions in H.R. 3221, the Housing and Economic Recovery Act of 2008, which passed the House of Representatives, and established the HOPE for Homeowners Program, a voluntary program between distressed homeowners and lenders, which provides mortgage refinancing assistance so that families in danger of losing their homes can refinance into lower-cost government-insured mortgages they can afford to repay. The program authorizes the FHA to insure up to \$300 billion of 30 year fixed rate refinance loans up to 90% of appraised value. At the time of passage it was estimated that this would help at least 400,000 families avoid foreclosure.

In addition to establishing the HOPE for Homeowners Program, H.R. 3221 also created a federal backstop for Fannie Mae and Freddie Mac, which are crucial to the mortgage market. This comprehensive package also contained tax provisions to expand refinancing opportunities and spur home buying.

The Congressman also supported for the FHA Modernization Act to help respond to the

subprime mortgage crisis. The bill expands access to affordable mortgages, and to “reverse mortgages” for seniors who need equity from their homes; and raises FHA loan limits to create affordable mortgage loans for moderately priced homes. In addition, Congressman Sestak voted for the GSE Reform Act to create a tough, independent new regulator in charge of Fannie Mae and Freddie Mac, in order to ensure that Fannie Mae and Freddie Mac safely and soundly work to provide our nation’s families with affordable housing; and create a new permanent Affordable Housing Trust Fund, financed by Fannie Mae and Freddie Mac and not by the taxpayers.

However, Congressman Sestak believes much more must be done, beginning with the Economic Stimulus Bill coming up for a vote the week of 26 January. To support the housing crisis, the Congressman believes that the Stimulus must provide funding for:

Public Housing Capital Fund: \$5 billion for building repair and modernization, including critical safety repairs. Every dollar of Capital Fund expenditures produces \$2.12 in economic return. \$4 billion of the funds will be distributed to public housing authorities through the existing formula and \$1 billion will be awarded through a competitive process for projects that improve energy efficiency;

HOME Investment Partnerships: \$1.5 billion to help local communities build and rehabilitate low-income housing using green technologies. Thousands of ready-to-go housing projects have been stalled by the credit crunch. Funds are distributed by formula;

Neighborhood Stabilization: \$4.2 billion to help communities purchase and rehabilitate foreclosed, vacant properties in order to create more affordable housing and reduce neighborhood blight;

Homeless Assistance Grants: \$1.5 billion for the Emergency Shelter Grant program to provide short term rental assistance, housing relocation, and stabilization services for families during the economic crisis. Funds are distributed by formula;

Rural Housing Insurance Fund: \$500 million to support \$22 billion in direct loans and loan guarantees to help rural families and individuals buy homes during the credit crunch. Last year these programs received \$13.4 billion more in applications than they could fund; and,

Self-Help and Assisted Homeownership Program: \$10 million for rural, high-need areas to undertake projects using sustainable and energy-efficient building and rehabilitation practices. Funds will be awarded by competition to projects that can begin quickly.

The Congressman also supports a provision in the bill that would provide \$7,500 to a new first time homeowner that would not have to be paid back to the government. Moreover, to expand home purchasing and address falling home values, Congressman is introducing an amendment to the Stimulus that will change the first-time homebuyer tax credit from a set dollar amount of \$7,500 to 10% of a home price- capped at 3.5% of FHA loan limits.

Finally, Congressman Sestak also voted last week for H.R. 384, the Troubled Asset Relief Program (TARP) Reform and Accountability Act of 2009, which overhauls the TARP by strengthening accountability; increasing transparency; closing loopholes; and, requiring the Treasury Department to take significant steps on foreclosure mitigation. "In the midst of a foreclosure crisis, the bill provides for a foreclosure mitigation plan of between \$40 and \$100 billion since quick action is needed to avoid the darker scenarios in which crashing home prices force even millions more from their homes, completely undermining the financial system and economy," said Congressman Sestak.

"With house prices expected to slide and unemployment to rise substantially further, the current foreclosure wave will increase, unless the government adopts further mitigation efforts. If house price fall another 10% over the coming year, an estimated 18.6 million homeowners could be underwater, which is when debt on property exceeds its market value," said Congressman Sestak. "That is why we must act now to help in the housing and mortgage crisis."

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.

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